

**Letter Report: The Internal Revenue Service
Complied with Federal Privacy Policies
Regarding the Collection of Personal
Information on Federal Web Sites**

April 2001

Reference Number: 2001-20-071

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

INSPECTOR GENERAL
for TAX
ADMINISTRATION

April 18, 2001

MEMORANDUM FOR COMMISSIONER ROSSOTTI

A handwritten signature in cursive script, reading "Pamela J. Gardiner".

FROM: Pamela J. Gardiner
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – The Internal Revenue Service Complied
with Federal Privacy Policies Regarding the Collection of
Personal Information on Federal Web Sites

This report presents the results of the subject review. In summary, we found that the Internal Revenue Service (IRS) followed Federal privacy policies on its Internet sites. The IRS did not collect personal information on individuals visiting its two public sites. The IRS agreed with the information presented in this report. The full text of management's response is included as an appendix.

Copies of this report are being sent to the IRS managers who are affected by the report and to the United States Congress, as required by the Consolidated Appropriations Act, 2001, Pub. L. No. 106-554, § 646. Please contact me at (202) 622-6510 if you have questions, or your staff may call Scott E. Wilson, Associate Inspector General for Audit (Information Systems Programs), at (202) 622-8510.

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Objective and Scope

The objective of this review was to determine whether the IRS collected personal information on individuals who visited its public Internet sites, as restricted by Federal privacy policies.

The objective of this review was to determine whether the Internal Revenue Service (IRS) collected personal information on individuals who accessed its public Internet sites, as restricted by Federal privacy policies. We focused on the use of persistent cookies,¹ web bugs,² and electronic mail (email) capabilities at the Internet sites. We also determined whether the IRS entered into agreements with third parties to collect or obtain personal information relating to an individual's access or viewing habits on any Internet site, IRS and non-IRS.

This review was required by the Consolidated Appropriations Act, 2001.³ The review also followed up on the Office of Management and Budget (OMB) Memorandum 00-13 issued to all heads of departments and agencies on June 22, 2000, regarding Privacy Policies and Data Collection on Federal Web Sites. We conducted our review on the two publicly accessible IRS Internet sites, which were the IRS' *Digital Daily* and the IRS' Procurement web site. These sites together maintained over 6,900 web pages. The *Digital Daily* contained the newly created "Small Business and Self Employed Community" web site, which we included in our review. We performed the following steps for this review:

¹ Persistent cookies are files placed on a visitor's computer by an Internet site when it is accessed. These cookies are generally used to track information about the visitor, including what web pages the visitor has accessed. There are also session cookies, which generally track a visitor's activity during a session at a web site and are deleted when the visitor leaves the web site. Session cookies were not within the scope of this review.

² Web bugs are hidden programs within a web page that activate when a visitor accesses that web page. Similar to cookies, these programs are generally used to track information about the visitor.

³ Consolidated Appropriations Act, 2001, Pub. L. No. 106-554 § 646.

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- To determine whether the IRS requested voluntary personal information from visitors, we searched the web pages within each Internet site to identify any such requests of information, including the acceptance of email questions and comments. We also discussed this capability with the owners of each site.
- To determine whether the IRS collected involuntary personal information on visitors with the use of persistent cookies, we cleared our computers of cookies and accessed each Internet site. We then manually traversed through a judgmental sample⁴ of 517 web pages from both sites and determined whether any persistent cookies had been placed on our computers. We also obtained documents (e.g., GAO reports and Congressional correspondence) that had previously assessed the use of cookies at the IRS.
- To determine whether the IRS collected involuntary personal information on visitors with the use of web bugs, we ran a computer program designed to identify the existence of web bugs on a discovery sample⁵ of 1,776 web pages.
- To determine whether the IRS entered into third party agreements to collect personal information, we interviewed the Privacy Advocate and executives responsible for each of the web sites regarding the use of third-party agreements.

We performed our audit work between January and March 2001. This audit was performed in accordance

⁴ We used a judgmental sample because previous reviews of the use of cookies at IRS Internet sites by the General Accounting Office (GAO) provided us with a starting basis for our testing.

⁵ We used a discovery sampling plan, expecting zero occurrences (no web bugs contained in the IRS web sites) and an 85 percent confidence level for the results. Our intent was to expand the test sample if we identified any web bugs.

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with *Government Auditing Standards*. Major contributors to this report are listed in Appendix I. Appendix II contains the Report Distribution List.

Background

The Consolidated Appropriations Act, 2001⁶ requires the Inspector General of each department or agency to submit to the Congress a report on any activity of his/her respective department or agency regarding the following information:

- (1) “The collection or review of singular data, or the creation of aggregate lists that include personally identifiable information, about individuals who access any Internet site of the department or agency.”
- (2) “Entering into agreements with third parties, including other government agencies, to collect, review, or obtain aggregate lists or singular data containing personally identifiable information relating to any individual’s access or viewing habits for governmental and nongovernmental Internet sites.”

OMB Memorandum 00-13 reminded the heads of departments and agencies that, “Each agency is required by law and policy to establish clear privacy policies for its web activities and to comply with those policies.” The memorandum further mentioned that certain web technology (e.g., cookies) can be used to track activities of users over time and across different web sites. The presumption is that cookies should not be used at Federal web sites unless, in addition to giving clear and conspicuous notice of such action, a compelling need to gather such information exists.

⁶ Consolidated Appropriations Act, 2001, Pub. L. No. 106-554 § 646.

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Results

The IRS did not collect personal information on visitors to its two public Internet sites.

The IRS did not collect personal information on individuals who visited its two public Internet sites. The IRS did not use persistent cookies or web bugs at its sites. While both sites had email capabilities, the only personal information requested was the visitor's email address, solely for the purpose of responding to the visitor. In addition, we did not identify any IRS agreements with third parties to collect personal information relating to viewing habits on any Internet site, IRS or non-IRS.

The IRS posted its privacy policy on its two public Internet sites.

The IRS posted its Internet Security and Privacy Policy on its two public Internet sites. The policy stated that, "We will not collect personal information about you just because you visit the site." It also stated that, "We do not use *cookies*, a file placed on a visitor's hard drive that allows the web site to monitor the individual's use of the site."

The posted privacy policy also indicated that the Internet site collects and maintains statistical information to improve the usefulness of the site and to monitor network traffic flow and volume. This information consisted of: (1) domain name,⁷ (2) Internet Protocol address,⁸ and (3) the date and time the IRS Internet site was visited. This information is normal for any web site.

The policy also stated that, "No attempts are made to identify individual users unless illegal behavior is suspected." When the IRS suspects illegal activity by a

⁷ The domain name is an organization's unique name on the Internet (e.g., mycompany.com). As an example, the domain name captured by the IRS will be that of the Internet Service Provider (ISP) for individuals who connect to the Internet via that ISP.

⁸ The Internet Protocol address is the numerical address of the computer attached to the Internet, usually the one associated with the domain name.

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The IRS posted departure and disclaimer notices to inform visitors when they were linking to non-IRS sites.

visitor, it coordinates with the Treasury Inspector General for Tax Administration – Office of Investigations, and the ISPs to identify the individual.

In addition to posting its privacy policy on its two public Internet sites, the IRS used departure and disclaimer notices to inform visitors when they were leaving the IRS site and going to other linked government or commercial Internet sites. Both IRS Internet sites we reviewed contained many links to other Internet sites. The use of links is an accepted Internet practice that facilitates the sharing of information for which the Internet was designed. When clicking on these links, the user's Internet browser will take them to the Internet site associated with that link.

Because the IRS cannot control the privacy policies and practices of the linked web sites, it incorporated the use of departure and disclaimer notices when visitors clicked on these links. The departure and disclaimer notices warned the visitors that they were leaving the IRS Internet site and that the linked Internet site may not have the same privacy policy as the IRS. It also asked the visitors if they wished to continue and leave the IRS Internet site. Appendix III presents examples of these notices from the *Digital Daily*.

These notices help ensure taxpayers understand the risk when accessing a link provided to a non-IRS controlled Internet site. For example, during our review, we identified links that, when accessed, placed persistent cookies on our computer hard drives.

Conclusion

The IRS did not collect personal information (including the use of persistent cookies and web bugs) on individuals who visited its two public Internet sites. The IRS also did not enter into any agreements with third parties to collect such data regarding viewing habits for any Internet site, IRS or non-IRS. The IRS took positive

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steps to highlight the importance of privacy on the Internet by posting its privacy policy and by consistently using departure and disclaimer notices on web sites linked to its two public Internet sites.

The IRS agreed with the information in this report, and the full text of its response is included as Appendix IV.

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Appendix I

Major Contributors to This Report

Scott E. Wilson, Associate Inspector General for Audit (Information Systems Programs)
Steve Mullins, Director
Kent Sagara, Audit Manager
Harry Dougherty, Senior Auditor
Bret Hunter, Senior Auditor
Louis Lee, Senior Auditor
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Appendix II

Report Distribution List

Commissioner, Wage and Investment W
Deputy Commissioner N:DC
Deputy Commissioner for Modernization/Chief Information Officer M
Chief, Agency-Wide Shared Services A
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Chief Counsel CC
National Taxpayer Advocate TA
Privacy Advocate CL:PA
Director, Procurement A:P
Director, Electronic Tax Administration W:E
Director, Legislative Affairs CL:LA
Director, ETA Modernization Program Office W:E:MPO
Director, Office of Program Evaluation and Risk Analysis N:ADC:R:O
Office of Management Controls N:CFO:F:M
Audit Liaison:
 Deputy Commissioner for Modernization and Chief Information Officer M

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Appendix III

Examples of Internet Site Departure and Disclaimer Notices

The following examples were two departure and disclaimer notices from the Internal Revenue Service's (IRS) *Digital Daily* Internet site. The first was used for links to commercial Internet sites and the second for links to government Internet sites.

- (1) **"Please note** that by clicking on this link, you will leave the IRS web site and enter a privately-owned web site created, operated, and maintained by a private business.

The information that this private business collects and maintains as a result of your visit to its web site may differ from the information that the IRS collects and maintains (please see the IRS web site privacy and security notice for privacy protections the IRS provides to web site visitors).

By linking to this private business, the IRS is not endorsing its products, services, privacy, or security policies. We recommend you review the business's information collection policy or terms and conditions to fully understand what information is collected by this private business."

- (2) **"Please note** that by clicking on this link, you will leave the IRS web site and enter another government web site created, operated, and maintained by that agency.

The information that another government agency/bureau/office collects and maintains as a result of your visit to its web site may differ from the information that the IRS collects and maintains (please see the IRS web site privacy and security notice for privacy protections the IRS provides to web site visitors). We recommend you review the other agency's information collection policy or terms and conditions to fully understand what information is collected."

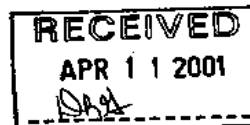
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Appendix IV

Management's Response to the Draft Report



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224



April 9, 2001

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM:

for Charles O. Rossotti *Bobulenzel*
Commissioner of Internal Revenue

SUBJECT:

Draft Letter Report - The Internal Revenue Service
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I was pleased to read the favorable determinations in the subject report regarding the Internal Revenue Service's Internet privacy policies. The report recognizes the special efforts that we make to ensure the privacy of all taxpayers. Our Internet policy and practices—the result of collaborative work among our Privacy Advocates, the Media and Publications Office, and the Information Systems Division—is but one way in which we build trust with the taxpaying public.

Your review, required by the Consolidated Appropriations Act, 2001, Pub. L. No. 106-554 § 646, found that we do not collect personal information on individuals visiting our Digital Daily and Procurement Internet sites. As the report concludes, "the IRS took positive steps to highlight the importance of privacy on the Internet by posting its privacy policy and by consistently using departure and disclaimer notices on web sites linked to its two public Internet sites."

We use these Internet sites to provide large amounts of information to the public. The Digital Daily is our primary means of educating the public on how to voluntarily comply with tax laws. To encourage the public to visit our sites, we created and posted a notice explaining how we protect visitors' privacy. The notice assures Internet visitors we do not collect personal information or use "cookies" to monitor their web site activities. We worked closely with the Office of Management and Budget to ensure our policy and practices follow its privacy directives.

We also implemented an additional Internet privacy policy that exceeds OMB requirements. Our Internet departure notices automatically alert a visitor before he or she leaves our site and enters another federal agency or non-government site to which the IRS has linked. The departure notice warns the visitor of the possible difference between the linked site's privacy standards and ours. For example, the linked site might use "cookies" or collect or sell information identified with the individual. The notice allows the visitor to proceed and risk a possible invasion of his privacy or log off.

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You asked us to review your draft report and decide if it contains sensitive information that you should withhold from the public. You may make this report available to the public.

If you need additional information, please call me or Peggy Irving, our Privacy Advocate, at (202) 927-5170.